

Message Text

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ACTION OPIC-06

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FM AMEMBASSY MANAGUA

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FOR OPIC

E.O. 11652: N/A

TAGS: BEXP, EFIN, ELAB, NU

SUBJECT: LABOR UNIONS IN THE FREE TRADE ZONE

REF: GURR/HAIGH TELCON OF AUGUST 4, 1978

1. EMBASSY WOULD LIKE TO MAKE THE FOLLOWING COMMENTS ON GURR'S INQUIRIES CONCERNING LABOR UNIONS IN MANAGUA'S FREE TRADE ZONE (APEX).

2. THERE IS NO NICARAGUAN LAW WHICH PROHIBITS, DISCOURAGES, OR TREATS IN ANY DIFFERENTIAL MANNER THE MATTER OF LABOR UNIONS IN FIRMS LOCATED IN APEX. ALTHOUGH THERE ARE CURRENTLY NO LABOR UNIONS IN APEX, THIS MAY BE MORE A COMMENT ON THE STRENGTH AND PERVASIVENESS OF UNIONS IN NICARAGUA THAN ON ANY PRACTICES UNDERTAKEN BY APEX FIRMS OR MANAGEMENT.

3. HOWEVER, THERE WAS ONE APEX FIRM, CONFECCIONES DE EXPORTATION, S.A. (CONEXA) WHICH HAD LABOR PROBLEMS AND WHICH HAS SUBSEQUENTLY CEASED OPERATIONS IN APEX AND IN NICARAGUA. (THE FIRM IS 50 PERCENT OWNED BY APPENDAGES, INC.

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OF NORWOOD, MASSACHUSETTS, AND WAS REJECTED BY OPIC IN ITS BID FOR POLITICAL RISK INSURANCE FOR ITS NICARAGUAN OPERATIONS.) ALTHOUGH INFORMATION ON THE CASE IS NOT EASILY AVAILABLE, IT APPEARS THAT LABOR AGITATION WAS ONE OF THE COMPANY'S PROBLEMS. HOWEVER, THE FIRM HAD AN UNCERTAIN PRODUCTION SCHEDULE DUE TO SEVERE INTERNAL MANAGEMENT PROBLEMS AND THE FINANCIAL PROBLEMS OF APPENDAGEZ WHICH

BOUGHT MOST OF CONEXA'S BLUEJEANS. THESE PRODUCTION UNCERTAINTIES LED TO LAY-OFFS, LOW MORALE AMONG THE COMPANY'S EMPLOYEES, AND ULTIMATELY LABOR ACTION AGAINST THE FIRM. HOWEVER, EMBASSY FEELS THAT PRIMARY CAUSE OF THE FIRM'S PROBLEMS WERE INTERNAL AND NOT DIRECTLY RELATED TO THE LABOR SITUATION OR LABOR UNIONS.

4. COMOFF HAS SPOKEN WITH BOTH APEX MANAGEMENT AND THE AMCIT MANAGER OF ONE OF THE FIRMS LOCATED IN THE ZONE. BOTH HAVE INDICATED THAT THE PROSCRIPTION OF LABOR UNIONS IN APEX IS NOT AND NEVER HAS BEEN USED AS AN ISSUE TO ATTRACT FIRMS TO APEX. COMOFF HAS REVIEWED AVAILABLE BROCHURES AND PUBLICITY PUBLISHED BY APEX AND HAS FOUND NO REFERENCES TO THE PROHIBITION OF UNIONS IN THE ZONE. (PLEASE NOTE THAT THIS PERUSAL DID NOT INCLUDE NY TIMES ADVERTISEMENT MENTIONED IN REFCON.) IN FACT, AMONG THE INFORMATION GIVEN TO INTERESTED FIRMS IS A SUMMARY OF THE LABOR LAWS OF NICARAGUA WHICH CONTAINS A SECTION ON LABOR UNIONS.

5. MINIMUM WAGES FOR WORKERS ARE SET BY THE GON MINISTRY OF LABOR AND VARY ACCORDING TO THE TYPE OF INDUSTRY AND THE LOCATION OF THE FIRM. ALL FIRMS IN APEX ARE REQUIRED TO ADHERE TO THE LAW. AMCIT MANAGER INDICATED THAT MOST WORKERS IN HIS FIRM START AT THE MINIMUM WAGE FOR INDUSTRIAL WORKERS IN MANAGUA, BUT THAT LIMITED OFFICIAL USE

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AFTER A TRAINING PERIOD, THEY ARE PAID ACCORDING TO GOODS PRODUCED. HE ESTIMATED THAT MANY OF HIS FIRM'S WORKERS HAVE EARNINGS FIFTY PERCENT HIGHER THAN THE MINIMUM WAGE.

6. COMOFF HAS TOURED COMPANIES IN APEX AND HAS FOUND THE WORKING CONDITIONS SATISFACTORY. THE FIRMS ARE LOCATED IN LARGE "MODULES" WITH LINES OF SEWING MACHINES AND AN AREA FOR THE CUTTING OF CLOTH (IF APPLICABLE). FACTORIES APPEARED WELL-LIGHTED AND VENTILATION WAS ADEQUATE. AMCIT MANAGER INDICATED THAT THE MACHINERY USED BY HIS FIRM IN NICARAGUA HAS THE SAME SAFETY FEATURES AS MACHINERY USED IN THE U.S. IN COMPARISON WITH OTHER NICARAGUAN INDUSTRIES SUCH AS SUGAR MILLS, INSTANT COFFEE PLANTS, TEXTILE MILLS, APEX COMPANIES OFFER SUPERIOR WORKING CONDITIONS, PRIMARILY DUE TO THE NATURE OF THE PRODUCTION.

7. IF OPIC DESIRES FURTHER INFORMATION, PLEASE INFORM.
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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